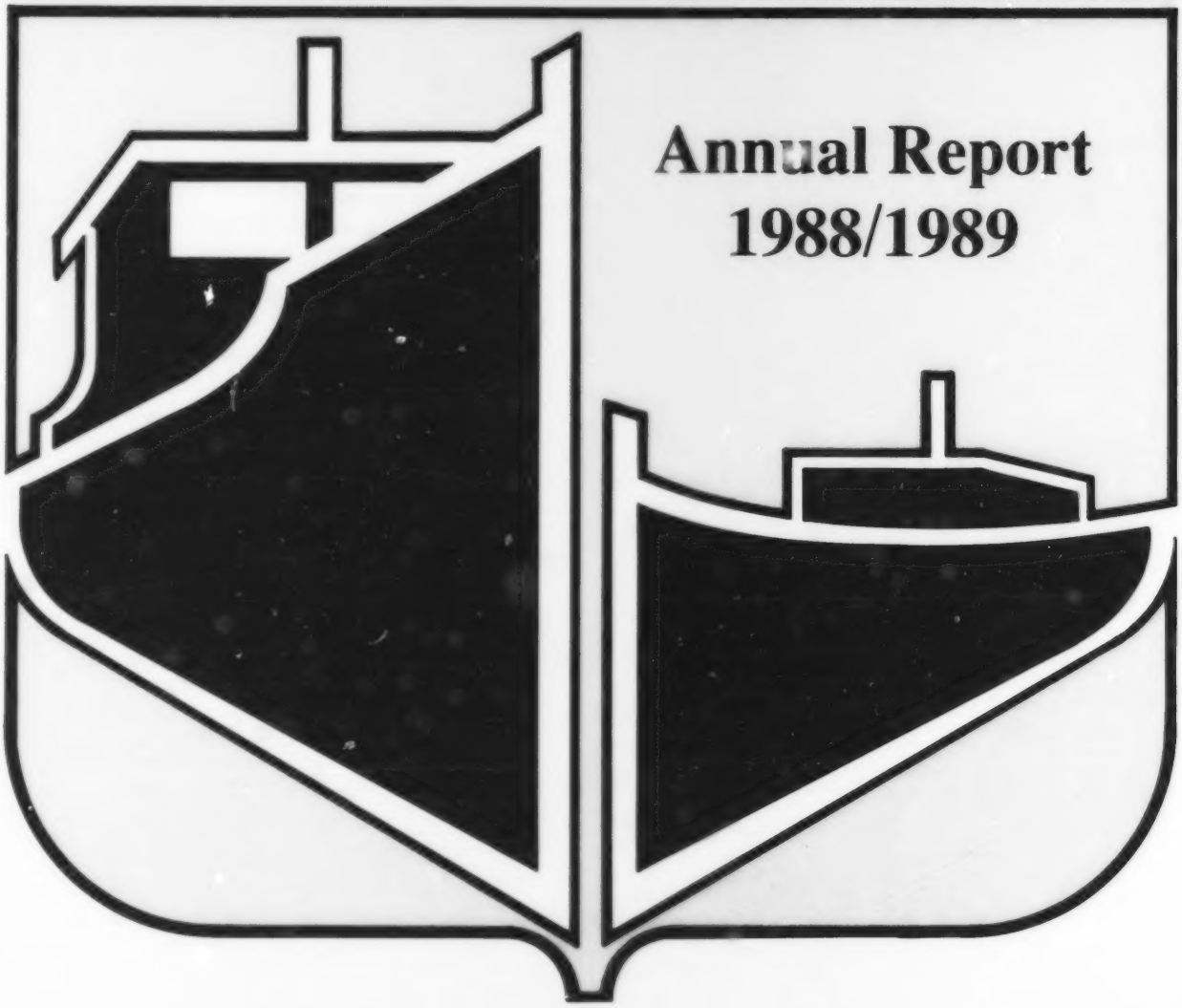
FISHERIES LOAN BOARD



Annual Report 1988/1989

90-06054/

The Cover of the Annual Report
is the Fisheries Loan Board Logo

Fisheries Loan Board of Newfoundland
P. O. Box 8700
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Atlantic Place
St. John's, Nfld.
A1B 4J6

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Honourable Walter C. Carter, M.H.A.
Minister of Fisheries
Government of Newfoundland and Labrador
St. John's, Newfoundland

Sir:

On behalf of the Fisheries Loan Board of Newfoundland and Labrador, I am pleased to submit the Annual Report, together with the financial statements, of the Board, for the fiscal year ended March 31st., 1989.

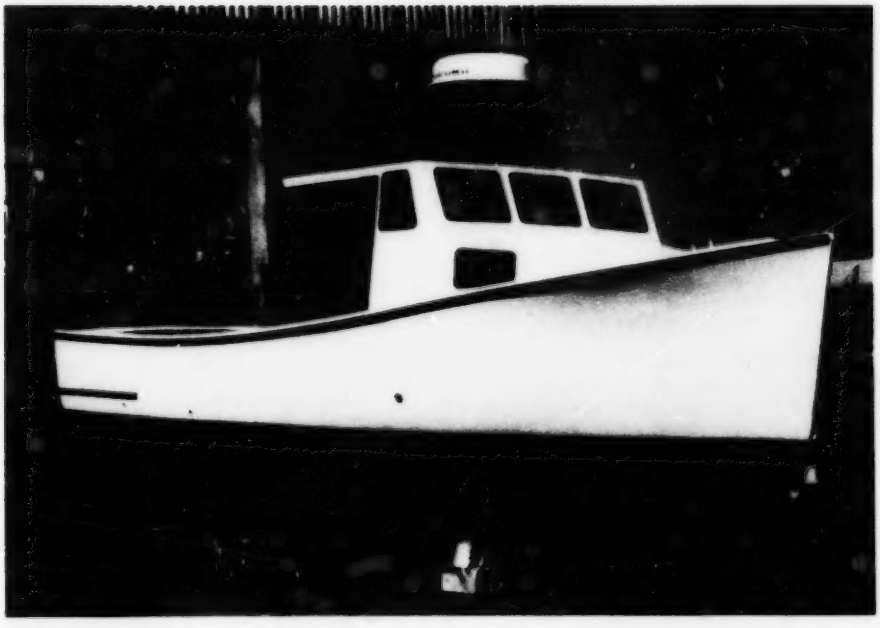
Respectfully submitted,

R.G. Kingsley, P. Eng.
Chairman

The Fisheries Loan Board of Newfoundland and Labrador was established in 1949 to provide financing for the development of the fishing industry. Over the years the Board's mandate has altered somewhat in that it now provides financing exclusively for fishermen to acquire fishing vessels and related equipment to pursue the inshore and midshore fisheries.

All loan applications for financial assistance are processed by officials of the Loan Board and are submitted to the Executive Board for approval. The Executive Board, which meets every second week, presently consists of nine members representing the fishing industry, the Provincial and Federal Governments, and the private sector. Members of the Board are appointed by the Lieutenant-Governor in Council.

This report briefly describes some of the highlights for the fiscal year 1988-89 to convey to the Honourable Walter C. Carter, M.H.A., Minister of Fisheries and to the general public the statistical, financial and general information related to the Board's operations.



It is again my pleasure to be able to report on the activities of the Fisheries Loan Board for the fiscal year ending March 31, 1989 as it has again proven to be a remarkable year in terms of activity in all programs.

Vessel acquisition and replacement in the Province's inshore fishery has continued at an accelerated rate as our fishermen prepare for the future challenges of the industry by modernizing and diversifying their operations. Lending activity increased over the previous year both in the number and value of loans in our Direct Loans Program and the Bank Loan Guarantee Program, the combined total of which supported an investment by fishermen of $45.8 million in fishing vessels and related equipment. There has been a noticeable trend towards larger vessels as fishermen who are characterized as "inshore" operators are now routinely exploiting more distant fishing grounds for such species as cod, turbot, and crab, thereby creating the need for improvements in accommodation standards, navigation and fish finding equipment, fish handling and storage methods, and vessel safety considerations. The increased costs associated with these improvements are such that the larger vessels now have overall construction costs exceeding $1.0 million.

The Executive Board met on 25 occasions during the year and approved 1256 loans, valued at $36.7 million. The combined portfolios of the Direct Loans and Guaranteed Bank Loan Programs totalled $100 million by year end. Meanwhile, the Board's lending rate increased from 6 3/4% during the first half to 8 3/4% during the latter half of the year, in accordance with the upturn in prime lending rates throughout the country. This increasing trend in lending rates will undoubtably influence the demand for loans in the future but there was no noticeable negative impact in 1988/89.

The demand for new vessels in all size categories in recent years has attracted a number of new entrants to the boat building industry in the Province. The Board maintains a list of approved boatbuilders in the Province and, as in the previous year, several additions were made to this list, most of which were builders of small fiberglass boats in the size range of 17 feet to 25 feet in length. Of particular interest, however, was a new fiberglass facility capable of building vessels of comparable size to the established wooden and steel shipyards. It was also interesting to note the continued practice of "backyard" construction of large wooden vessels as several fishermen opted to oversee the construction of their own vessels utilizing the latent ingenuity and resourcefulness of local craftsmen who maintain their traditional skills in building wooden vessels. As of the date of this report there were 37 approved builders in the Province for all sizes of vessels between 17 feet and 104 feet in length.

Under the terms of the Debt Restructuring Program announced by the Minister of Fisheries in April, 1988, the Direct Loan portfolio of accounts was written down by approximately $6.3 million to March 31, 1989 and this action will continue into the next year. Consideration of the Bank Loan portfolio was not concluded by year end.

A significant policy change was authorized by Government in 1988 to permit the Board to finance new fiberglass vessels from out-of-Province shipyards on condition that they could not be constructed locally. Six loans were approved for vessels in the 45 ft. - 55 ft. size range but it is anticipated that fewer boats from mainland sources will be financed in the future, due to the increased capability now established locally. The Board has instituted a number of other miscellaneous administrative and policy changes in its continued efforts to improve operational efficiencies, as noted in the following Sectional Reports.

Looking to the future, I foresee a continuing demand for vessels in the larger size categories, especially in view of the new vessel replacement guidelines announced early in 1989 by the Department of Fisheries and Oceans, which facilitates somewhat more flexibility for fishermen to acquire licenses for larger vessels. As noted earlier, fishermen are being attracted more and more to the offshore fishing grounds and are therefore in need of larger vessels. However, the recent downturn in resource projections for our traditional groundfish species, coupled with a continuation of high lending rates, will undoubtably instill a "wait and see" attitude in many of those contemplating long term commitments for new vessels.

The Board maintains a close liaison with a variety of fisheries and marine related firms and agencies, in addition to the Chartered Banks and other institutions in the financial community, and I wish to express my appreciation for their excellent cooperation and assistance during the year. I especially wish to acknowledge the dedication of the staff of the Board in their continuing efforts to accommodate our clients' needs in an environment which often requires a departure from the normal office routine. Overall, I believe that the various programs have been delivered efficiently and effectively. Finally, I wish to also acknowledge the many years of dedicated service provided by the six staff members who retired during the year, many of whom had lifelong careers associated with the marine industry.

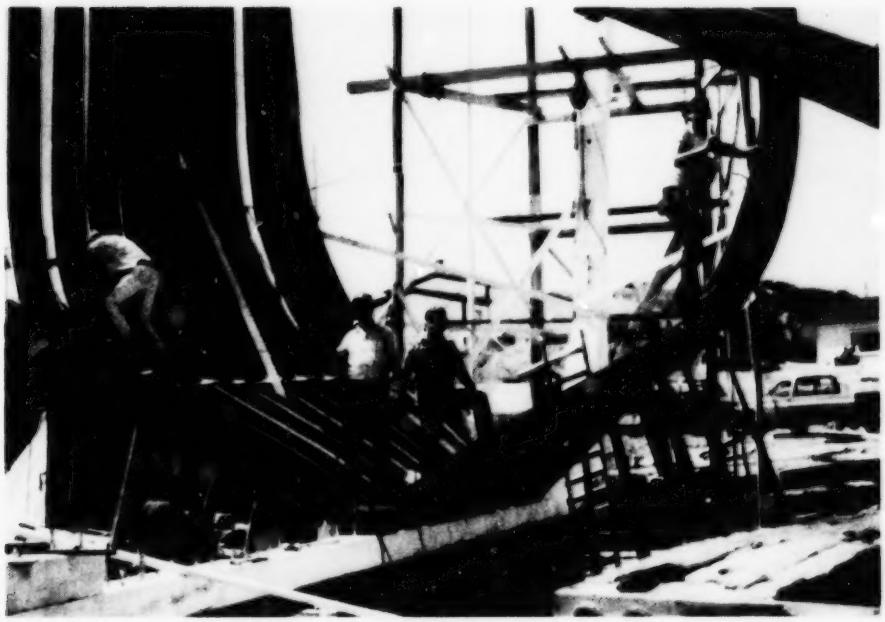
Left to Right:

Ms. Judy Symonds, Member At Large
Mr. William Molloy, Fisherman
Mr. Reginald Kingsley, Chairman, Fisheries Loan Board
Mr. Kevin Carroll, Fishermen's Union
Mr. Gordon Kane, Comptroller, Fisheries Loan Board
Mr. David Alyward, Department of Fisheries and Oceans
Mr. Lindsay Small, Fisherman
Mr. Bruce Whitelaw, Marine Institute
Mr. Eric Wells, Deputy Chairman, Fisheries Loan Board

The Fisheries Loan Board operates under the authority of The Fisheries Loan Act, The Fishing Ships (Bounties) Act, The Fishing and Coasting Vessels Rebuilding and Repairs (Bounties) Act, The Bank Loan Guarantee Program and the Small Boat Bounty Program. Authority is provided for the Board to provide low interest loans and guarantees and capital grants (Bounties) to fishermen who meet the eligibility criteria set forth in the Acts, Regulations and Guidelines.

In addition to providing financial assistance, the Board has been responsive to the needs of fishermen in other ways, including the provision of advice on the viability of proposed operations and, generally, in helping fishermen to manage their current financial affairs. Furthermore, technical advice and inspection services are provided to ensure that fishing vessels are constructed and equipped to adequate standards.

The following pages summarize the Assistance Programs administered by the Board.



LENDING PROGRAMS

Direct Loan Program

Direct loans less than $50,000 are provided by the Board at subsidized interest rates. The interest rate is set at three percentage points below the Provincial Government Banker's prime interest rate and is assessed twice annually on April 1 and October 1. These loans provide for the purchase of small fishing vessels and related equipment.

Bank Loan Guarantee Program

Loans between $50,000 and $1,000,000 are provided by Chartered Banks under this program and Government guarantees a certain percentage of the loans. An interest subsidy is also provided so that fishermen will pay the same interest rates on bank loans as the interest rates charged on loans through the Direct Loan Program.

The tables on the following pages provide statistical information concerning the Direct Loan and Bank Loan Guarantee Program activity for the 1988-1989 fiscal year with comparative figures for the 1987-1988 fiscal year.

BOUNTY PROGRAMS

The Bounty Program's purpose is to encourage the acquisition, replacement or rebuilding and repair of small and large vessels by providing a subsidy to reduce the capital costs of boats to fishermen. The programs consist of:

(A) A Small Boat Bounty Program for new vessels less than 10 tons (usually under 35 feet). The subsidy is provided on a per foot basis.

(B) A Large Boat Bounty Program for new vessels greater than 10 tons. The subsidy is provided on an underdeck tonnage basis.

(C) A Rebuilding and Repair Bounty Program to rebuild and repair vessels in excess of 10 tons, more than 8 years old, and registered in Newfoundland for at least five years. The subsidy is provided on a percentage basis of the approved cost.

The graphics on the following pages provide statistical information concerning the Bounty Programs for the 1988/89 fiscal year with comparative figures for the 1987/88 fiscal year.

Table 1

Direct Loans Approved
for Fiscal Year 1988/89
(with comparative figures for 1987/88)

	Number			Loan Amount ($000)		
Purpose of Loan	87/88	88/89	+(-)%	87/88	88/89	+(-)%
Engines & Equipment	481	595	24	$2,509	$3,584	43
New Boats Under 35'	515	424	(18)	4,964	4,246	(14)
New Boats Over 35'	4	0	(100)	129	0	(100)
Used Boats Under 35'	101	122	21	1,268	2,036	61
Used Boats Over 35'	50	47	(6)	1,538	1,411	(8)
Total Direct Loans	1,151	1,188	3%	$10,408	$11,277	8%

Table 2

Bank Loans Approved
for Fiscal Year 1988/89
(with comparative figures for 1987/88)

	Number			Loan Amount ($000)		
Purpose of Loan	87/88	88/89	+(-)%	87/88	88/89	+(-)%
Engines & Equipment	5	6	20	433	429	(1)
New Boats Under 35'	3	6	100	185	469	153
New Boats Over 35'	35	33	(6)	15,491	19,743	27
Used Boats Under 35'	2	0	(100)	103	0	(100)
Used Boats Over 35'	18	23	28	2,593	4,764	84
Total Bank Loans	63	68	8%	$18.805	$25,405	35%

Table 3

Loans Approved for New Vessels
1983/84 - 1988/89

	Direct Loans				Bank Loans			
	Small Boats		Large Boats		Small Boats		Large Boats	
	#	Loan Amount ($000)	#	Loan Amount ($000)	#	Loan Amount ($000)	#	Loan Amount ($000)
1988/89	424	$4,246	—	—	6	$469	33	$19,743
1987/88	515	4,964	4	$129	3	185	35	15,490
1986/87	271	2,270	3	83	—	—	2	1,061
1985/86	183	1,384	4	199	—	—	2	505
1984/85	186	1,454	—	—	—	—	1	391
1983/84	201	1,931	3	150	2	189	7	2,352

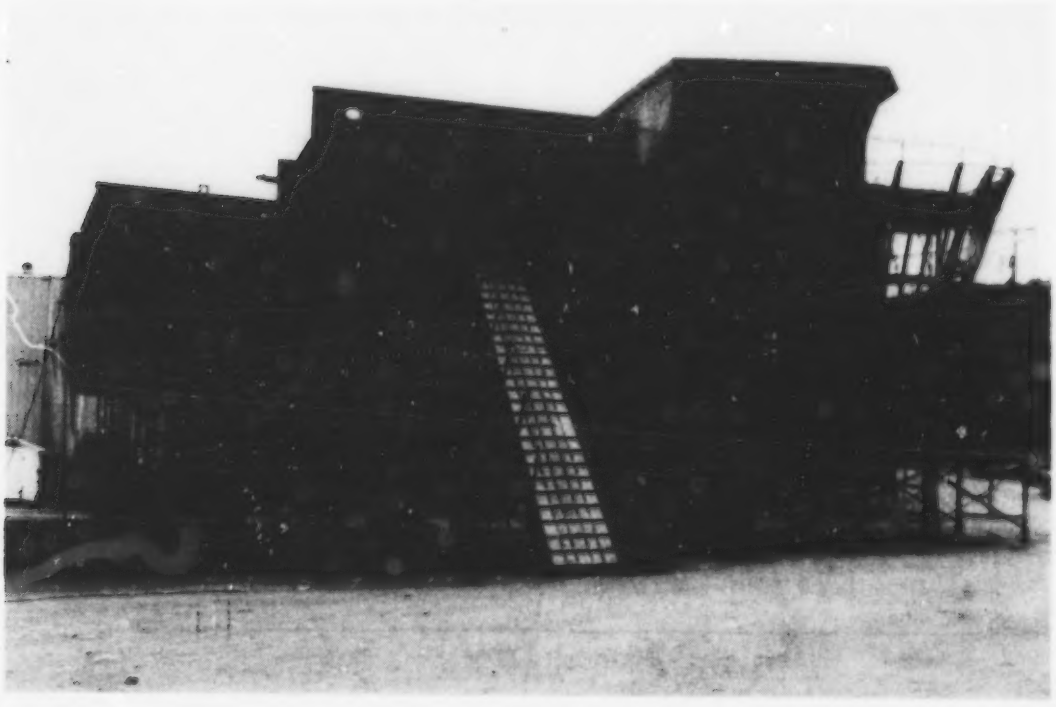
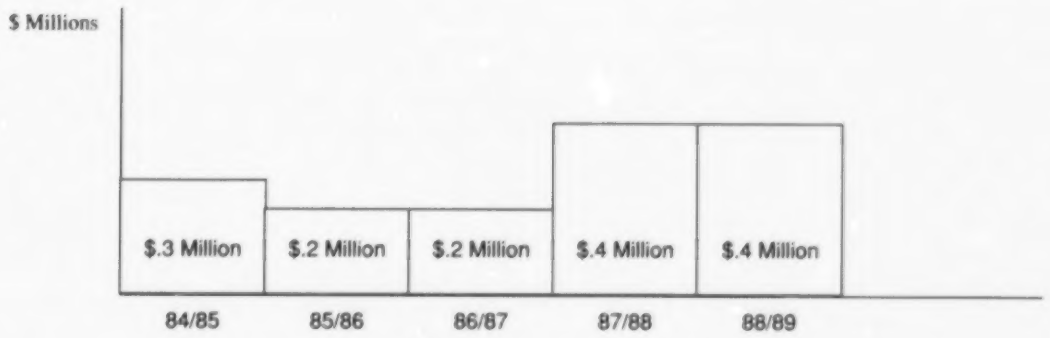
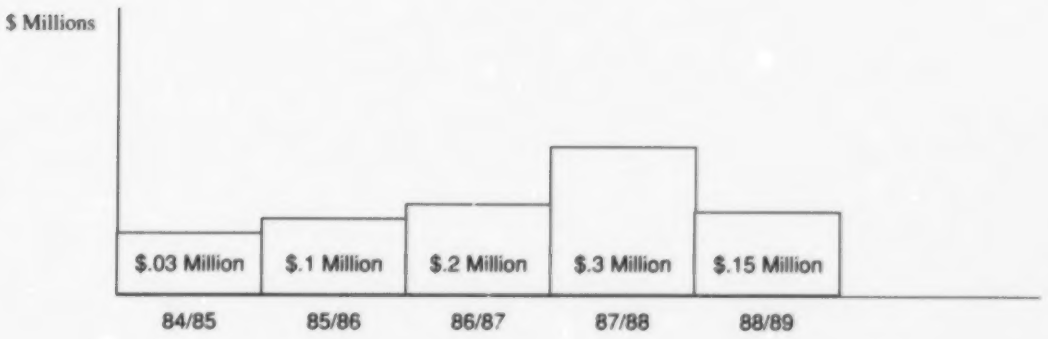


Figure 1
Bounty Programs (By Dollar Value)
1984/85 - 1988/89

Small Boat Bounty (vessels less than 35 ft.)



Rebuilding and Repair Bounty (vessels less than 35 ft.)



Large Boat Bounty (vessels larger than 35 ft.)

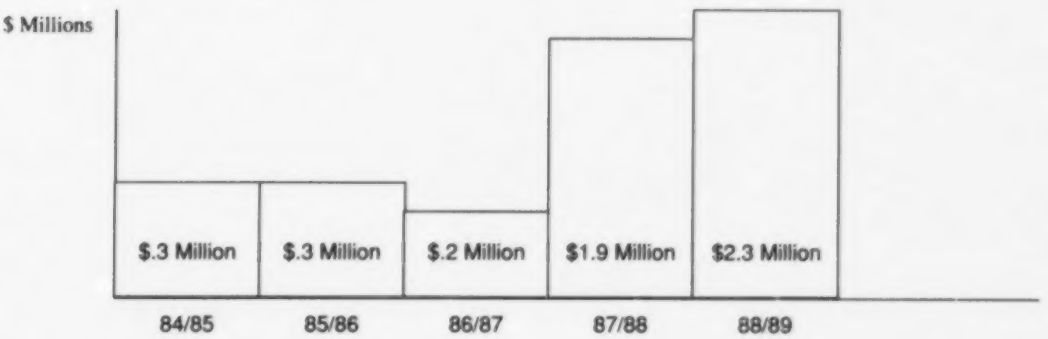
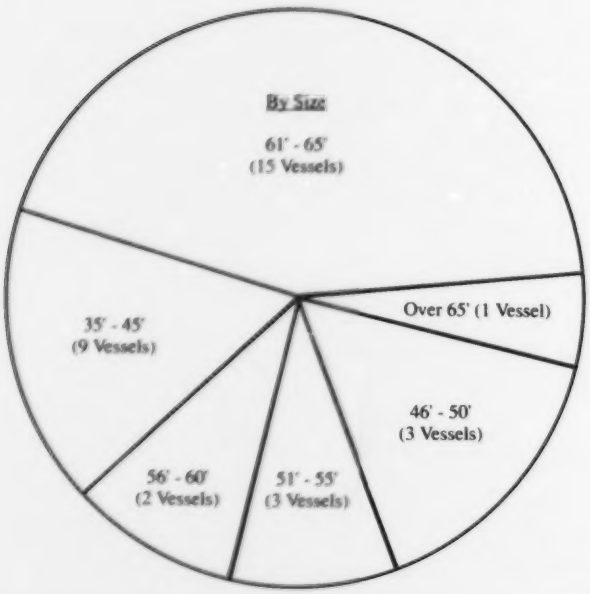


Figure 2

Loans Approved For New Large Vessel Construction (35' and over) 1988-89

By Size



By Type

Figure 3

Loans Approved for New Large Vessel Construction (35' and over)
1988/89
By Type and Size

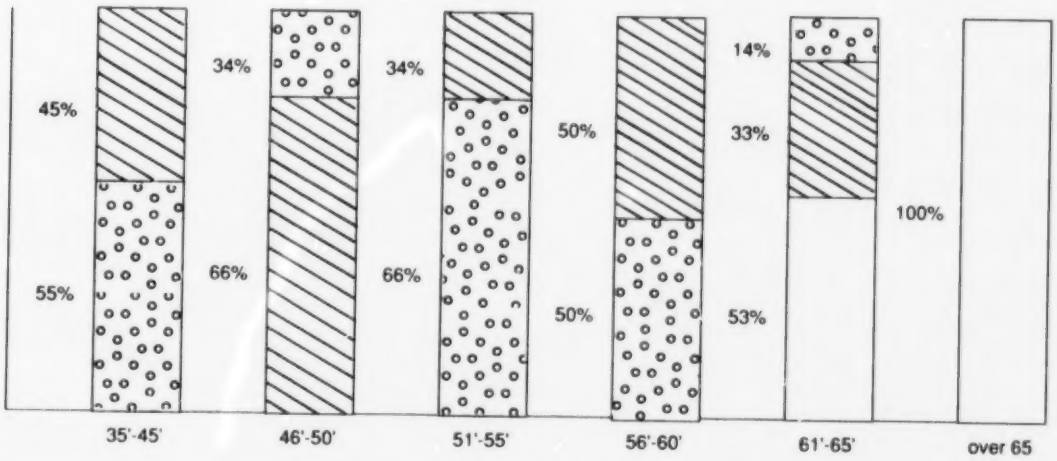
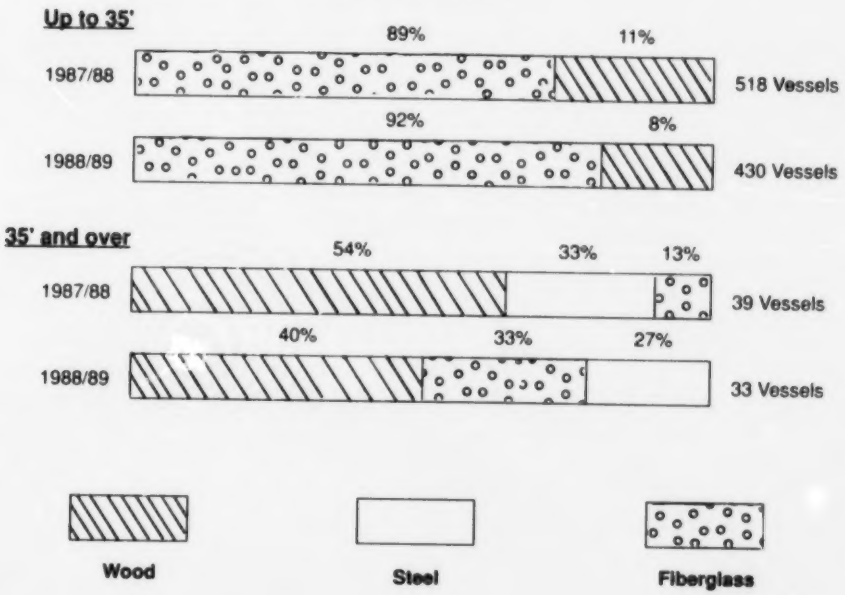
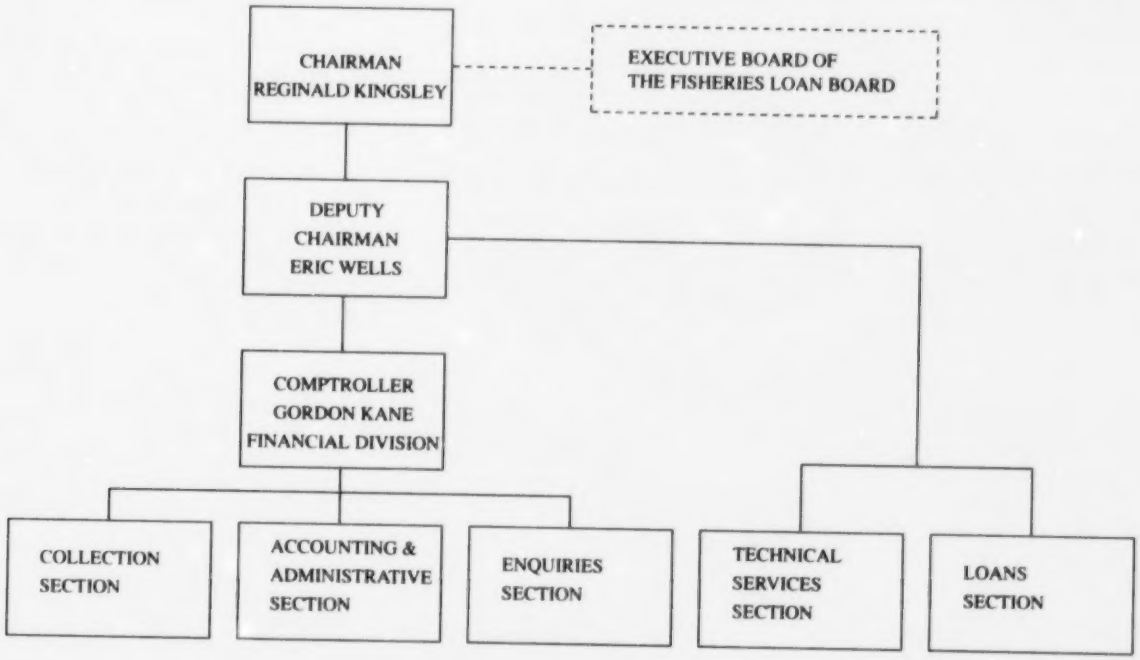


Figure 4

Loans Approved For All New Vessel Construction (large and small)
1987/88 and 1988/89
By Type and Size





Senior Management

Reginald Kingsley - Chairman
Eric Wells - Deputy Chairman
Gordon Kane - Comptroller and Legal Secretary

Senior Staff

Financial Division

Keith Barry - Assistant Comptroller
Doug Tibbo - Accountant
Herb Ebsary - Co-Ordinator of Information Services
David Fleming - Collections Supervisor

Technical Section

Alex McGruer - Chief Vessel Technical Consultant
Albert Burgess - Senior Marine Inspector

Len Edwards - Technical Services Co-Ordinator

Loans Section

David Patrick - Bank Loan Program Director
Anne Donnelly - Financial Counsellor
David Jerrett - Loans Coordinator
Andy Kean - Senior Loans Officer

Collections Section

The Board's Collections Section continued in 1988/89 with the implementation of the regional collection procedures whereby the Collection Officers make prompt follow-up contact with all borrowers to ensure the maintenance of the active accounts.

In April of 1988 Government announced a Debt Restructuring Program which provided a write down of outstanding principal balances for all direct loan clients who met the eligibility criteria. Approximately 2200 fishermen availed of this program and their accounts were written down by approximately $6.3 million by year end and it is estimated that, when completed, the total write down will be approximately $8.0 million. Many of these accounts were also restructured to provide extended repayment terms which required considerable interaction between Section staff and the fishermen involved. Also, due to the complete failure of the fishery in certain areas of the Province, the Board was authorized by Government to defer payments on accounts from fishermen in these areas, and approximately 200 clients received deferment arrangements.

Repossession activity continued as a result of follow-up on delinquent accounts and approximately 40 vessels were repossessed and sold by public tender or auction. Repossession is a last resort exercise for the Board and is undertaken only when all other attempts to rehabilitate the accounts have proven unsuccessful.

The Collections Section continued with its assignment of catch program and by year end approximately 50% of the Board's accounts had an assignment of catch arrangement in place. Indications are that this is of considerabie benefit to both the fishermen and the Board to facilitate repayment of loan accounts.

Accounting and Administrative Section

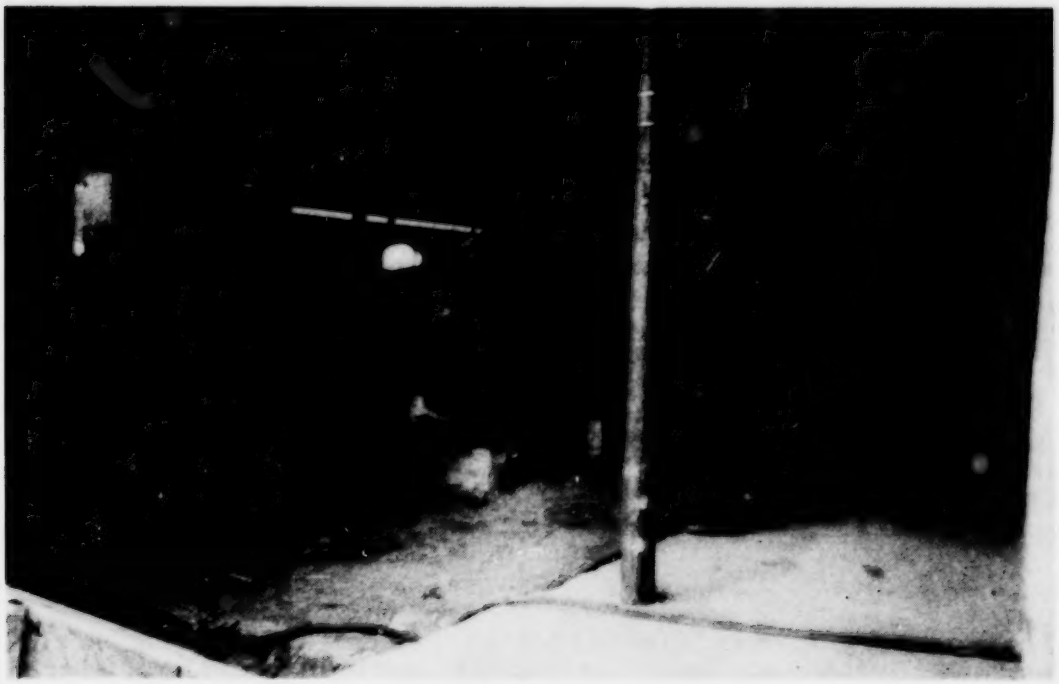
During 1988/89 the Accounting & Administrative Section was extensively involved in the debt restructuring program as noted in the Collections Section Report. Every account that was restructured had to have considerable accounting work carried out and interaction made with fishermen concerning new repayment terms. Also during the year the computerized direct loan accounting system was reviewed and enhancements made with respect to the input of receipts onto the system. This enabled the loan balances to be updated in a faster period and more current information available to fishermen who requested information concerning their accounts. At the same time the increased effectiveness of the assignment of catch program meant that there were quite a number of smaller payments being remitted on accounts and this increased the workload in that area. Typically, the Accounting Section performs approximately 13,000 entries in the records for payments on accounts, cheque disbursements, and other miscellaneous transactions.

Enquiries Section

The Enquiries Section operates as the front line for fishermen and others who wish to make initial contact with the Board. Again, 1988/89 was a busy year as there were approximately 3,200 enquiries, compared with 2,200 enquiries for the previous year. The major increase was attributed to enquiries concerning the debt restructuring program and also to the introduction of other fisheries programs, some of which are not handled by the Board. These included the Department of Fisheries interest free loan program, and the Newfoundland Inshore Fisheries Development Agreement (NIFDA).

In addition to general enquiries, the Section is responsible for administering emergency loan requests from clients who need financing on a rush basis due to equipment breakdowns or other problems after the fishery commences. There were 37 loans processed on this basis.

Technical Services Section



The Technical Services Section also had a busy year in 1988/89. As the statistics section of the report will indicate, the increase in large boat construction which occurred in the previous year continued into the 1988/89 fiscal year, which saw the approval of 33 loans for new large boats, All these new boats required considerable technical involvement with respect to assessment of plans and drawings and construction inspections. Also during the year the demand for direct loans for engines and equipment on small boats continued at even a slightly higher rate than in the previous year and this again contributed to the high level of Technical Services work.

In the previous year we reported that nine (9) new boatbuilders were added to the approved builders list and again in 1988/89 a number of other builders were added which at the year end brought the total of approved builders to 37 boatbuilders for all sizes and types of boats.

Loans Section

The Loans Section was quite busy in 1988/89 as indicated by the statistical section of this Report. The demand for loans under both the Direct loans Program and the Bank loan Program continued at even a slightly higher level than the previous fiscal year.

With the increased activity it was necessary to undertake a review of the direct loan processing system and we are pleased to report that by the end of the fiscal year, the Board had streamlined the procedure for the loans under $10,000 so that the processing of a loan and the cheque distribution would be carried out in a much quicker time period. Board officials look forward to the implementation of this new program during the upcoming fiscal year.

During the year a number of policy changes effecting loans were approved:

(1) Outboard engine loans, are now available based upon the builders specifications and not the predetermined specifications as stated by the Board.
(2) In June, 1988 Government announced a program whereby fishermen who wished to obtain a new large fiberglass boat, in a size range unavailable from within the Province, could obtain financing under the Bank Program to acquire a new fiberglass boat built out of Province. To date there have been six (6) such loans approved and since the capacity to construct these large boats is now becoming available within the Province, it appears that there may be no need for the program in the near future.
(3) The Board updated its loan policy on engines and equipment purchased from outside the Province, thereby enabling fisherman to have a greater choice when making such purchases.

DEPARTMENT OF THE AUDITOR GENERAL
ST. JOHN'S, NEWFOUNDLAND

AUDITOR'S REPORT

The Chairman and Members
The Fisheries Loan Board of
Newfoundland
St. John's, Newfoundland

In compliance with the requirements of Section 16 of The Fisheries Loan Act, 1970, I have examined the balance sheet of The Fisheries Loan Board of Newfoundland, Fisheries Loan Fund, as at 31 March 1989 and the statements of revenue and expenditure, equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of The Fisheries Loan Board of Newfoundland, Fisheries Loan Fund, as at 31 March 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

C.R. Hart, C.A.
for J.F. McGrath, C.A.
Auditor General

St. John's
25 August 1989

STATEMENT 1

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

BALANCE SHEET

31 MARCH 1989

	1989	1988
ASSETS		
Cash	$ 470,924	$ 830,448
Lease revenue receivable	39,753	39,753
Interest subsidy receivable (Note 7)	425,447	141,034
Advances receivable (Note 3)	-	51,801
Other receivable (Note 8)	6,654	50,362
Loans receivable (Note 4)	50,940,119	52,013,641
	51,411,973	52,296,591
Less: Allowance for doubtful accounts	21,075,306	23,877,403
	30,336,667	28,419,188
Total assets	$30,807,591	$29,249,636
LIABILITIES		
Borrowers' deposits on new loans	$ 588,072	$ 375,683
Tender deposits	896	1,106
Total liabilities	588,968	376,789
EQUITY		
Province of Newfoundland		
Contributed capital	$43,282,180	$45,785,942
Deficit	(13,063,557)	(16,913,095)
Total equity	30,218,623	28,872,847
Total liabilities and equity	$30,807,591	$29,249,636

See accompanying notes

Signed on behalf of the Board

R.G. Kingsley
Chairman

David L. Reynolds
Member

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF EQUITY

FOR THE YEAR ENDED 31 MARCH 1989

	1989	1988
Contributed capital, beginning of year	$45,785,942	$47,923,929
Add: Contributions made by Province during year	8,847,069	5,274,279
	54,633,011	53,198,208
Less: Capital contributions returned to Province	5,060,232	7,412,266
Principal write-offs (Note 10)	6,290,599	-
Contributed capital, end of year	43,282,180	45,785,942
Deficit, beginning of year	16,913,095	15,397,753
Add: Payments to the Province for interest collected on loans issued by the Board	1,902,421	2,616,534
Add: Excess of expenditure over revenue (revenue over expenditure)	538,640	(1,101,192)
Less: Principal write-offs (Note 10)	6,290,599	-
Deficit, end of year	13,063,557	16,913,095
Equity, end of year	$30,218,623	$28,872,847

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1989

	1989	1988
REVENUE		
Interest on loans	$ 2,785,892	$ 2,727,007
EXPENDITURE		
Provision for doubtful accounts	3,324,195	1,625,641
Operating expenses (Note 5)	337	174
	3,324,532	1,625,815
Excess of expenditure over revenue (revenue over expenditure)	$ 538,640	$(1,101,192)

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1989

	1989	1988
Cash resources were provided by:		
Principal instalments on loans receivable	$ 5,244,050	$ 8,084,915
Deposits on vessel construction	-	12,296
Interest on loans receivable	1,285,281	2,207,124
Provincial bounty on loans advanced	380,624	288,884
Required payments on loans advanced	1,102,270	1,076,041
Tender deposits	17,715	183,650
Province of Newfoundland		
- Advances to fund	8,847,068	5,274,279
- Interest subsidy (Note 7)	781,584	334,150
Marine insurance payments (Net)	117,589	259,979
Lease advances	2,038	21,657
	17,778,219	17,742,975
Cash resources were used for:		
Loan advances		
Purchase of boats and equipment	10,037,035	7,352,086
Construction of vessels	-	2,325
Repossession expenses	63,768	89,088
Payments of interest subsidy (Note 7)	1,065,997	475,114
Tender deposit refunds	-	146,391
Leased vessels expenses	-	25,701
Federal subsidy refunds	8,290	-
Payments to Province of Newfoundland	6,962,653	10,028,800
	18,137,743	18,119,505
Decrease in cash during year	359,524	376,530
Cash, 1 April	830,448	1,206,978
Cash, 31 March	$ 470,924	$ 830,448

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1989

1. Authority

The Fisheries Loan Board of Newfoundland operates under authority of the Fisheries Loan Act, Chapter 134, Revised Statutes of Newfoundland, 1970. These statements are a representation of the activities of The Fisheries Loan Fund as established by Section 6 of that Act. The Fisheries Loan Regulations, 1980 established under The Fisheries Loan Act states in Section 14 that the minimum amount that the Board may advance by way of a loan to fishermen is $1,000 and the maximum shall be $50,000.

2. Accounting policies

(a) Basis of accounting

The Board follows the accrual basis of accounting.

(b) Allowance for doubtful accounts

The allowance for doubtful accounts relates to loans receivable and represents an estimate of future probable losses on the accounts outstanding at year end. With respect to this estimate, the Board recognizes that future economic and fishing industry conditions are not predictable and, therefore, their impact on the collectibility of loans is uncertain.

Actual losses on loans are charged to the allowance while recoveries of loan losses are credited to the allowance. The adjustment of the allowance to the appropriate level is charged to operations as a provision for doubtful accounts.

(c) Capital contributions

The Fisheries Loan Board receives capital contributions from the Province under Section 11 of the Fisheries Loan Act to be deposited into The Fisheries Loan Fund for the purpose of making loans or advances to fishermen and to other persons, associations, societies or companies engaged either directly or indirectly in the catching, handling, processing or distributing of fish or fish products.

2. Accounting policies (Cont.)

(d) Payments to the Province

During 1985 an amendment was made to The Fisheries Loan Act regarding the collections on loans receivable. The amendment required the Board to pay into the Consolidated Revenue Fund out of The Fisheries Loan Fund such monies as directed by the Lieutenant-Governor in Council. As directed by the Lieutenant-Governor in Council the interest portion of all loan payments are remitted to the Consolidated Revenue Fund with the principal portion remitted to the Department of Fisheries, all on a monthly basis.

3. Advances receivable

This account represents payments made for vessel construction. When the vessels are completed and the required documentation is in place, these expenditures are transferred to loans receivable. During construction, all loans advances are secured by a Builder's Mortgage. In 1988-89 all such receivables were converted to direct loan accounts.

4. Loans receivable

	1989	1988
Principal not yet due	$22,891,262	$21,403,809
Principal due and unpaid	21,341,194	23,973,209
Interest due and unpaid	5,304,943	5,338,186
Interest accrued	1,402,720	1,298,437
	$50,940,119	$52,013,641

Included in the principal and interest outstanding at year end is the amount of $7,519,124 (1988 - $7,693,600) which represents principal and interest due from individuals whose boats have been repossessed and sold. Of this amount $357,519 (1988 - $531,311) represents the balance of contracts entered into prior to 3 September 1974, of which a portion is not legally collectible. Principal and interest due from individuals whose boats have been repossessed and unsold amounted to $349,455 (1988 - $506,408).

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5. Operating expenses

The Department of Fisheries, Province of Newfoundland, was responsible for current account operating expenses totalling $3,011,742 (1988 - $2,186,004) of The Fisheries Loan Board of Newfoundland. These expenses are not reflected in these financial statements.

6. Commitments

Loans authorized but not disbursed as at 31 March 1989 amounted to $6,422,630 (1988 - $4,696,836). It is expected that the majority of these loans will be disbursed within the five month period ending 31 August 1989 from advances to be made to the fund by the Province.

7. Interest subsidy

The Board pays an interest subsidy for the interest charges on fishermen's bank loans to the extent of the difference between the bank's interest rate and the Board's interest rate when the loan was approved. These payments are subsequently recovered from the Province and charged to the Department of Fisheries. For the year ended 31 March 1989 the Board paid $1,065,997 (1988 - $475,114) in interest subsidy and had recovered $781,584 (1988 - $334,150) from the Province.

8. Other receivable

During 1986-87 the Board placed two vessels into their pilot leasing program as they were directed in M.C. 1132-'85 which approved the establishment of a three year leasing program for up to a maximum of ten vessels. These leased vessels were set up in the name of the Minister of Fisheries and assigned a fair market value determined by public tender. This fair market value paid by the Board on these vessels was set up in the accounts of the Board with an offsetting credit to the loan accounts of the fishermen from whom the vessels had been repossessed. The account balances of these vessels are reduced by the lease payments received from the lessees of these vessels.

During 1987-1988 the lessee of one of the two above mentioned vessels exercised the option to purchase, thereby reducing the number of leased vessels to one.

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9. Income taxes

The Fisheries Loan Board is not subject to Federal or Provincial income taxes.

10. Principal write-offs

During the 1988-89 fiscal year the Board received approval to write-off principal balances of $1,963,635 as bad debts and $4,326,963 for debt restructuring as approved by M.C. 1103-'88, thereby reducing both its liability to the Province and its overall deficit position.

11. Subsequent event

At present, there is an action pending concerning a potential claim against the Fisheries Loan Board. To date, the possible financial implications of this claim are unknown.